

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



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ANNUAL AUDITED REPORT  
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PART III

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FACING PAGE Washington, DC  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2007 AND ENDING December 31, 2007  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: MMLISI Financial Alliances, LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

1295 State Street

(No. and Street)

Springfield,

MA

01111-0001

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

James Peterson

612-338-1711

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KMPG LLP

(Name - if individual, state last, first, middle name)

99 High Street

Boston

MA

02110

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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THOMSON  
FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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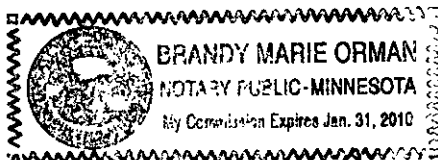
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## OATH OR AFFIRMATION

I, James Peterson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MMLISI Financial Alliances, LLC, as of December 31,, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_



Brandy Marie Orman  
Notary Public

James Peterson  
Signature

CCO, Treasurer, FINOP

Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**



***MMLISI Financial Alliances, LLC***  
***(SEC File Number 8-53707)***

*Financial Statements and Supplemental Schedule*  
*As of and For the Year Ended December 31, 2007*  
*With Independent Auditors' Report Thereon*  
*Supplemental Report on Internal Control*

Filed pursuant to Rule 17a-5(e)(3) as a public document.

***MMLISI Financial Alliances, LLC***

**Financial Statements  
December 31, 2007**

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## Independent Auditors' Report

To the Members of  
MMLISI Financial Alliances, LLC:

We have audited the accompanying statement of financial condition of MMLISI Financial Alliances, LLC (the Company) as of December 31, 2007, and the related statements of operations, changes in members' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MMLISI Financial Alliances, LLC as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**KPMG LLP**

Boston, MA  
February 15, 2008

***MMLISI Financial Alliances, LLC***

**Statement of Financial Condition  
December 31, 2007**

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**Assets**

Cash and cash equivalents	\$ 400,737
Commissions receivable	12,218
Prepaid expenses and other assets	<u>37,810</u>
Total assets	<u>\$ 450,765</u>

**Liabilities and Members' Equity**

Payables to related parties	\$ 5,000
Accounts payable	35,250
Accrued rent expense	<u>6,312</u>
Total liabilities	<u>46,562</u>

**Members' Equity**

Series A	361,221
Series B	<u>42,982</u>
Total members' equity	<u>404,203</u>
Total liabilities and members' equity	<u>\$ 450,765</u>

*The accompanying notes are an integral part of these financial statements.*

***MMLISI Financial Alliances, LLC***

**Statement of Operations  
For the Year Ended December 31, 2007**

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**Revenues**

Commissions	\$ 386,463
Other income	<u>35,000</u>
 Total revenues	 <u>421,463</u>

**Expenses**

General and administrative expenses	<u>177,807</u>
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Net Income	<u>\$ 243,656</u>
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*The accompanying notes are an integral part of these financial statements.*

**MMLISI Financial Alliances, LLC**

**Statement of Changes in Members' Equity  
For the Year Ended December 31, 2007**

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	<u>Series A</u>		<u>Series B</u>		
	<u>Contributions/ Additional Paid-in Capital</u>	<u>Accumulated Net Income</u>	<u>Contributions/ Additional Paid-in Capital</u>	<u>Accumulated Net (Loss)</u>	<u>Total Members' Equity</u>
Balances at December 31, 2006	\$ 70,517	\$ 58,596	\$ 375,000	\$ (317,837)	\$ 186,276
Member Contributions	133,770	--	--	--	133,770
Distributions	(159,499)	--	--	--	(159,499)
Net income (loss)	<u>--</u>	<u>257,837</u>	<u>--</u>	<u>(14,181)</u>	<u>243,656</u>
Balances at December 31, 2007	<u>\$ 44,788</u>	<u>\$ 316,433</u>	<u>\$ 375,000</u>	<u>\$ (332,018)</u>	<u>\$ 404,203</u>

*The accompanying notes are an integral part of these financial statements.*

**MMLISI Financial Alliances, LLC**

**Statement of Cash Flows**  
**For the Year Ended December 31, 2007**

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**Cash flow from operating activities:**

Net income	\$ 243,656
Adjustments to reconcile net income to net cash provided from operating activities:	
Amortization of leasehold improvements	379
Changes in operating assets and liabilities:	
Commissions receivable	12,021
Prepaid expenses and other assets	(16,490)
Payables to related parties	(3,100)
Accounts payable and accrued expenses	30,000
Accrued rent expense	<u>281</u>
Net cash provided from operating activities	<u>266,747</u>

**Cash flows from financing activities:**

Contributions from members	133,770
Distributions to members	<u>(159,499)</u>
Net cash flow used in financing activities	<u>(25,729)</u>

Net increase in cash and cash equivalents	241,018
Cash and cash equivalents, beginning of year	<u>159,719</u>
Cash and cash equivalents, end of year	<u>\$ 400,737</u>

*The accompanying notes are an integral part of these financial statements.*

# **MMLISI Financial Alliances, LLC**

## **Notes to Financial Statements December 31, 2007**

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### **1. Organization**

MMLISI Financial Alliances, LLC (the "Company"), a Delaware Series Limited Liability Company organized effective June 2001, is a referral broker-dealer, formed for the sole purpose of providing clients of certain professional firms with access to products and services offered by MML Investors Services, Inc. ("MMLISI") and certain other members of MMLISI's parent, Massachusetts Mutual Life Insurance Company ("MassMutual"). The Company is registered as a broker-dealer and investment advisor with the Securities and Exchange Commission (SEC), is a member of the Financial Industry Regulatory Authority, Inc. (FINRA) (formerly, National Association of Securities Dealers, Inc. (NASD)), and is licensed as a broker-dealer in 48 states, Puerto Rico and the District of Columbia.

In August 2004, MMLISI acquired 100% of the Company. In April 2006, the Company began accepting professional firms as new members, at which time MMLISI's ownership decreased to 51%. The professional firms provide member contributions in exchange for non-controlling equity interests.

As a Series limited liability company all capital contributions, assets, liabilities, income, expenses, earnings, profits, and proceeds with respect to the Series A members are held and accounted for separately from the other assets of the Company, and are referred to as assets belonging to that Series. These assets are available for the payment of the liabilities, expenses, costs or charges in respect of, or allocated to, that Series. The assets belonging to each Series belong to that Series for all purposes, and no other Series, subject only to the rights of creditors of that Series.

### **2. Significant Accounting Policies**

The significant accounting policies, which have been consistently applied, are as follows:

**Basis of Presentation** – The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires the use of estimates. Accordingly, certain amounts in these financial statements contain estimates made by management. Actual results could differ from those estimates.

**Cash and Cash Equivalents** – The Company considers any investment with an original maturity of three months or less to be a cash equivalent.

The Series A member equity interests that are identified as belonging to that Series are segregated by the Company in separate third party bank accounts for the protection of each member. (See Note 4).

# **MMLISI Financial Alliances, LLC**

## **Notes to Financial Statements December 31, 2007**

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***Leasehold Improvements*** – Major renewals or betterments are capitalized at cost and amortized on a straight-line basis over the remaining non-cancelable term of the lease. Recurring repairs and maintenance are charged to operations as incurred.

***Revenue*** – The Company earns commissions on business referred to MMLISI, MassMutual, and unrelated third party insurance companies. Commission revenue is recognized on an accrual basis.

***General and Administrative Expenses*** – General and administrative expenses are recorded on an accrual basis. (See Note 9).

***Fair Value of Financial Instruments*** – Financial instruments, which include cash and cash equivalents, receivables, and payables, approximate their fair values because of the short maturities of these assets and liabilities.

***Income Taxes*** – The Company is treated as a partnership for tax reporting purposes. Therefore, no tax provision is required. Certain states require the Company to file limited liability company returns. Any taxes related to these returns are recorded in General and administrative expenses on the Statement of Income.

### **3. Related-Party Transactions and Agreements**

The Company has agreed to reimburse MMLISI for audit fees and other expenses paid on the Company's behalf, which totaled \$5,800 for the year ended December 31, 2007. At December 31, 2007, Payables to related parties of \$5,000 consist of audit fees due to MMLISI.

### **4. Members' Equity**

As Principal Member, MMLISI holds all the Series B member interests, 51% of the voting rights, and provides the personnel and infrastructure for the operations of the Company. The remaining 49% of the voting rights are held by Series A members.

At December 31, 2007, \$140,595 of cash has been segregated related to the Series A members. (See Notes 1 and 2).

Series A members are allocated their respective commission revenues based upon business generated. Generally, expenses are allocated to the Series A members on a pro-rata basis. For the month a member purchases a Series A unit, the allocation is made based upon the number of days the member was active during that month. In 2007, certain expenses were borne by the Series B member totaling \$14,181, net of \$819 of Other income allocations. In future years it is anticipated that all revenues and expenses of the Company will be allocated solely to the Series A members.

# **MMLISI Financial Alliances, LLC**

## **Notes to Financial Statements December 31, 2007**

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### **5. Commitments and Lease Contingencies**

The Company entered into an operating lease on its office space effective August 1, 2006. In 2007, rent expense on operating leases totaled \$17,920, which is included in General and administrative expenses on the Statement of Operations. The obligation on this lease includes a non-cancelable term of five years. In connection with this lease, the Company was given the benefit of a four month rent holiday. The Company is expensing its rent commitment over the non-cancelable term of the lease on a straight-line basis. As a result, the Company has \$6,312 of accrued rent expense recorded as of December 31, 2007, which is disclosed separately on the Statement of Financial Condition.

The Company is committed to the following future minimum rental payments under the non-cancelable portion of its operating lease:

2008	\$ 18,996
2009	19,612
2010	20,001
2011	<u>11,800</u>
	<u>\$ 70,409</u>

### **6. Regulatory Requirements**

As a broker-dealer registered with the Securities and Exchange Commission ("SEC"), the Company is subject to the SEC's uniform net capital rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of "aggregate indebtedness" to "net capital" (as those items are defined), shall not exceed 15 to 1. The rule also provides that equity capital may not be withdrawn or cash dividends paid if the net capital ratio would exceed 10 to 1. At December 31, 2007, the Company had net capital of \$210,570 which was \$205,570 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 0.2211 to 1.

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(i). To qualify for the exemption under Rule 15c3-3 (k)(2)(i), the Company is prohibited from carrying margin accounts; must promptly transmit all customer funds and deliver all securities received in connection with its activities as the broker or dealer, must not otherwise hold funds or securities for, or owe money or securities to, customers and must effectuate all financial transactions between the Company and its customers through one or more bank accounts designated as a Special Account for the Exclusive Benefit of Customers of the Company. Currently, the Company does not plan to execute any financial transactions with customers. The Company will refer customers to MMLISI or MassMutual who will execute the financial transactions.

# *MMLISI Financial Alliances, LLC*

## **Notes to Financial Statements** **December 31, 2007**

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A reconciliation of net capital as reported on the Company's Focus filing dated January 25, 2008 and the amended Focus filing dated February 22, 2008 is as follows:

Net capital as of January 25, 2008	\$ 220,169
Decrease in members' equity	<u>(9,599)</u>
Net capital as of February 22, 2008	<u>\$ 210,570</u>

### **7. Broker's Bond**

The Company carries a broker's blanket fidelity bond in the amount of \$300,000. In addition, the Company is afforded additional coverage under the MassMutual Corporate Fidelity Bond Program in the amount of \$100,000,000.

### **8. Litigation and Regulatory Inquiries**

Although the Company may, from time to time, become involved in various governmental and administrative proceedings or regulatory investigations and inquiries, there are currently no such proceedings, investigations or pending regulatory inquiries.

### **9. General and Administrative Expenses**

The Company receives certain management and administrative services from WorthMark Financial LLC ("WorthMark"), pursuant to a service agreement. These services include, but are not limited to, financial management, regulatory filings, legal services, and compliance administration. One of WorthMark's owners is also a director of the Company.

General and administrative expenses primarily consist of \$60,000 of management fees paid to WorthMark, state and regulatory fees of \$47,722, audit fees of \$20,574, rent of \$17,920, and other miscellaneous expenses.

**MMLISI Financial Alliances, LLC****Schedule I****Computation of Net Capital Under Rule 15c3-1  
December 31, 2007****Additional  
Information**

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**Net Capital Requirement**

Total members' equity		\$ 404,203
Less non-allowable assets:		
Series A members cash	\$ 140,595	
Prepaid expenses and other assets	<u>53,038</u>	<u>193,633</u>
Net capital		<u>\$ 210,570</u>

**Aggregate Indebtedness**

Total liabilities included in statement of financial condition	<u>\$ 46,562</u>
Minimum net capital required to be maintained (Greater of \$5,000 or 6-2/3% of 46,562)	<u>5,000</u>
Net capital in excess of minimum requirements	<u>\$ 205,570</u>
Ratio of aggregate indebtedness to net capital	<u>0.2211 to 1</u>

*See accompanying independent auditors' report.*

**Statement Pursuant to Paragraph (d)(4) of Rule 17a-5: Reconciliation of FOCUS Report**

No material differences exist between the amounts appearing above and the computation reported by MMLISI Financial Alliances, LLC in Part II-A of the unaudited FOCUS Report on Form X-17A-5 as of December 31, 2007, as amended on February 22, 2008.



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**Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5  
For a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3**

To the Members of  
MMLISI Financial Alliances, LLC:

In planning and performing our audit of the financial statements of MMLISI Financial Alliances, LLC (the Company), as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the

preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the members, management, the SEC, the Financial Industry Regulatory Authority, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Boston, MA  
February 15, 2008